

CITY OF KIRTLAND

LAKE COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2024



OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

City Council
City of Kirtland
9301 Chillicothe Road
Kirtland, Ohio 44094

We have reviewed the *Independent Auditor's Report* of the City of Kirtland, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2024 through December 31, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Kirtland is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

January 26, 2026

This page intentionally left blank.

**CITY OF KIRTLAND
LAKE COUNTY
REGULAR AUDIT
For the Year Ending December 31, 2024**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - Fire Emergency Levy Fund.....	23
Statement of Net Position - Enterprise Fund.....	24
Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Fund.....	25
Statement of Cash Flows - Enterprise Fund.....	26
Notes to the Basic Financial Statements.....	27
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability/Asset:	
Ohio Public Employees Retirement Systems (OPERS) - Traditional Plan.....	78
Ohio Public Employees Retirement Systems (OPERS) - Combined Plan.....	80
Schedule of the City's Proportionate Share of the Net OPEB Liability	
Ohio Public Employees Retirement Systems (OPERS).....	82
Schedule of the City's Proportionate Share of the Net Pension Liability/Asset:	
Ohio Police and Fire (OP&F) Pension Fund.....	84
Schedule of the City's Proportionate Share of the Net OPEB Liability	
Ohio Police and Fire (OP&F) Pension Fund.....	86
Schedule of the City's Contributions:	
Ohio Public Employees Retirement Systems (OPERS).....	88
Ohio Police and Fire (OP&F) Pension Fund.....	90
Notes to the Required Supplementary Information.....	92
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	97
Prepared by Management:	
Schedule of Prior Audit Findings.....	99

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

City of Kirtland
Lake County
9301 Chillicothe Road
Kirtland, Ohio 44094

To the Members of the City Council:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Fire Emergency Levy funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2025, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

August 20, 2025

(This page intentionally left blank)

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

The discussion and analysis of the City of Kirtland's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2024 are:

- In 2024, net position in governmental activities increased by \$465,994 over the prior year. This increase is due to an increase in cash and cash equivalents resulting from the 2024 general obligation note issuance coupled with an increase in capital assets as the City continued a comprehensive road improvement project. These increases in assets were offset by an increase in long-term liabilities due to the issuance of notes.
- During 2024, the City issued \$4,500,000 in general obligation notes which were used to retire the 2023 \$3,102,000 general obligation notes.

Using This Annual Basic Financial Statement Report (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Kirtland as a financial whole or an entire operating entity. The statements proceed to provide an increasingly detailed look at our specific financial conditions.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements look at the City's most significant funds with all other non-major funds presented in total in one column.

The City of Kirtland as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2024?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all (non-fiduciary) assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. The changes in net position are important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

In the *Statement of Net Position* and the *Statement of Activities*, the City is divided into two major activities:

Governmental Activities – Most of the City's programs and services are reported here including legislative and administrative duties, boards and commissions, judicial and legal services, finance, engineering, employee benefits and insurance, police and fire safety, public health, streets and drainage, planning and zoning, and parks and recreation.

Business-Type Activities – These services are provided on a fee basis to recover all of the expenses of the services provided to the citizens of the City. The City's only business-type activity is the waste water treatment facilities.

Reporting the City of Kirtland's Most Significant Funds

Fund Financial Statements

The presentation of the City's funds begins on page 11. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Kirtland, the major funds are the general fund, the fire emergency levy special revenue fund, the street improvement capital projects fund and the waste water enterprise fund.

Government Funds

Most of the City's activities are reported in the governmental funds that focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Governmental funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The waste water enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole, only in more detail.

The City of Kirtland as a Whole

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2024 compared to 2023.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$12,772,791	\$10,719,913	\$46,751	\$98,456	\$12,819,542	\$10,818,369
Net Pension Asset	68,812	65,107	1,096	765	69,908	65,872
Net OPEB Asset	65,944	0	1,050	0	66,994	0
Capital Assets, Net	17,493,882	16,172,618	1,736,315	1,961,684	19,230,197	18,134,302
<i>Total Assets</i>	<i>30,401,429</i>	<i>26,957,638</i>	<i>1,785,212</i>	<i>2,060,905</i>	<i>32,186,641</i>	<i>29,018,543</i>
Deferred Outflows of Resources:						
Pension	3,236,924	3,218,160	13,959	12,251	3,250,794	3,230,411
OPEB	437,447	544,386	920	1,669	438,186	546,055
<i>Total Deferred Outflows of Resources</i>	<i>3,674,371</i>	<i>3,762,546</i>	<i>14,879</i>	<i>13,920</i>	<i>3,688,980</i>	<i>3,776,466</i>
Current and Other Liabilities	2,934,360	2,248,030	15,399	14,967	2,949,759	2,262,997
Long-Term Liabilities:						
Due Within One Year	238,793	199,656	22,850	20,596	261,643	220,252
Due in More than One Year:						
Pension	9,062,151	8,504,248	29,968	24,771	9,092,119	8,529,019
OPEB	542,581	526,179	0	552	542,581	526,731
Other Amounts	5,298,271	3,139,890	263,888	268,990	5,562,159	3,408,880
<i>Total Liabilities</i>	<i>18,076,156</i>	<i>14,618,003</i>	<i>332,105</i>	<i>329,876</i>	<i>18,408,261</i>	<i>14,947,879</i>
Deferred Inflows of Resources:						
Property Taxes	1,935,743	1,728,875	0	0	1,935,743	1,728,875
Leases	974,443	978,513	0	0	974,443	978,513
Pension	285,715	512,700	585	1,512	286,211	514,212
OPEB	522,628	581,508	782	304	523,229	581,812
<i>Total Deferred Inflows of Resources</i>	<i>3,718,529</i>	<i>3,801,596</i>	<i>1,367</i>	<i>1,816</i>	<i>3,719,626</i>	<i>3,803,412</i>
Net Investment in Capital Assets	11,530,380	12,058,100	1,467,325	1,672,098	12,997,705	13,730,198
Restricted:						
Pension and OPEB Plans	134,756	65,107	2,146	765	136,902	65,872
Capital Projects	2,236,012	955,307	0	0	2,236,012	955,307
Debt Service	0	7,725	0	0	0	7,725
Other Purposes	1,886,518	2,001,181	0	0	1,886,518	2,001,181
Unrestricted (Deficit)	(3,506,551)	(2,786,835)	(2,852)	70,270	(3,509,403)	(2,716,565)
<i>Total Net Position</i>	<i>\$12,281,115</i>	<i>\$12,300,585</i>	<i>\$1,466,619</i>	<i>\$1,743,133</i>	<i>\$13,747,734</i>	<i>\$14,043,718</i>

New Accounting Pronouncement/Restatements

Table 1 provides a summary of the City's net position for 2024 compared to 2023. For 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. The City also implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*, which does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The implementation of GASB 101 resulted in recognizing an additional compensated absences liabilities of \$485,464 in governmental activities and \$17,497 in business-type activities at January 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense. (See Note 3)

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

The net pension liability (NPL) is one of the larger liabilities reported by the City at December 31, 2024. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position

Net position may serve as a useful indicator of a government's financial position over time. In the case of the City of Kirtland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,281,115 at year-end for governmental activities. By far the largest portion of the City's net position is its investment in capital assets including land, buildings, machinery and equipment, roads, storm sewer lines, and sewer lines net of related debt. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Kirtland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

This increase in governmental net position is due to an increase in cash and cash equivalents resulting from the 2024 general obligation note issuance coupled with an increase in capital assets as the City continued a comprehensive road improvement project. These increases in assets were offset by an increase in long-term liabilities due to the issuance of notes.

Table 2 shows the changes in net position for the years ended December 31, 2024, as compared to 2023.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues						
Charges for Services	\$837,330	\$791,733	\$106,918	\$112,171	\$944,248	\$903,904
Operating Grants and Contributions	1,206,443	1,136,954	0	0	1,206,443	1,136,954
Capital Grants	69,450	243,158	0	0	69,450	243,158
Total Program Revenues	2,113,223	2,171,845	106,918	112,171	2,220,141	2,284,016
General Revenues						
Property Taxes	1,843,075	1,831,124	0	0	1,843,075	1,831,124
Municipal Income Taxes	6,079,004	5,256,754	0	0	6,079,004	5,256,754
Permissive Tax	42,103	45,828	0	0	42,103	45,828
Grants and Entitlements	783,039	594,486	0	0	783,039	594,486
Investment Earnings/Interest	51,192	48,852	0	0	51,192	48,852
Miscellaneous	354,545	256,248	0	0	354,545	256,248
Total General Revenues	9,152,958	8,033,292	0	0	9,152,958	8,033,292
Total Revenues	11,266,181	10,205,137	106,918	112,171	11,373,099	10,317,308
Program Expenses						
General Government	1,764,044	1,834,407	0	0	1,764,044	1,834,407
Security of Persons and Property	5,325,985	4,750,610	0	0	5,325,985	4,750,610
Transportation	2,663,434	1,578,545	0	0	2,663,434	1,578,545
Public Health and Welfare	115,550	143,772	0	0	115,550	143,772
Community Environment	160,593	31,721	0	0	160,593	31,721
Leisure Time Activities	588,449	440,631	0	0	588,449	440,631
Interest	182,132	128,132	0	0	182,132	128,132
Waste Water	0	0	174,333	170,414	174,333	170,414
Total Program Expenses	10,800,187	8,907,818	174,333	170,414	10,974,520	9,078,232
Change in Net Position	465,994	1,297,319	(67,415)	(58,243)	398,579	1,239,076
Net Position Beginning of Year as Previously Reported	12,300,585	0	1,551,531	0	13,852,116	0
Change in Accounting Principle (See Note 3)	(485,464)	0	(17,497)	0	(502,961)	0
Restated Net Position Beginning of Year	11,815,121	11,003,266	1,534,034	1,609,774	13,349,155	12,613,040
Net Position End of Year	<u>\$12,281,115</u>	<u>\$12,300,585</u>	<u>\$1,466,619</u>	<u>\$1,551,531</u>	<u>\$13,747,734</u>	<u>\$13,852,116</u>

New Accounting Pronouncements

Table 2 provides a summary of the City's change in net position for 2024 compared to 2023. The above table also separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections* does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2023 information does not reflect activity related to the additional compensated absences expenses required under GASB 101, *Compensated Absences*. (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 3.)

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

The City is very dependent on property taxes and income taxes. Property tax and income tax revenues increased from the previous year. The largest taxpayers of income taxes are employees of public facilities such as school and government agencies. This allows for consistency and stability of collections of income taxes.

Security of persons and property include the police and fire departments, accounted for program expenses of \$5,325,985 which is 49.31 percent of total governmental expenses, which was an increase from 2023. Our police and fire departments continue to improve their equipment to better serve our community and at the same time provide extra safety for our officers. We continue to strive to provide better police and fire service at a lower cost per man-hour. Our police and fire departments continue to improve their equipment to better serve our community and at the same time provide extra safety for our officers.

Governmental Activities

Several revenue sources fund the City's governmental activities with City income tax being the largest contribution. The income tax rate of 1 percent was established by City Ordinance No. 71-0-11, passed December 20, 1971. On November 6, 2001, the electors approved an increase in the income tax rate to 2 percent from 1 percent and a change in the tax credit for residents having income taxable in another community. In 2024, the revenue collected from income taxes was designated for the City's general fund. General revenues from property taxes and grants and entitlements are also significant revenue generators. The City monitors its sources of revenues very closely for any changes or fluctuations.

The City's income taxes has provided the City the funds to maintain streets, make infrastructure improvements and strengthen safety forces. The City of Kirtland continues to be very aggressive in collecting delinquent income tax.

Total revenues for governmental activities increased in 2024 due to increases in income taxes and unrestricted grants and entitlements. Income tax revenue increases can be attributed to the economy continuing to improve since the end of the pandemic. Revenue consists primarily of property taxes, income taxes and intergovernmental revenues received through operating and capital grants or contributions as well as unrestricted grants and entitlements. The remaining revenues represent charges for services, investment earnings/interest and miscellaneous receipts. Charges for services include non-resident ambulance billing, cemetery fees and recreation fees.

Total governmental activities program expenses increased in 2024 compared to 2023 due to an increase in security of persons and property and transportation costs for increased wages, sick leave and road maintenance during the year. General government, security of persons and property and transportation expenses are the three main sources of expenses. These activities include police protection, fire protection, road maintenance, planning/zoning, mayoral office and finance office.

Table 3 presents a summary for governmental activities of the total cost of services and the net cost of providing these services. The statement of activities shows the cost of program services and the charges for services and grants offsetting those services.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
General Government	\$1,764,044	\$1,834,407	(\$1,613,728)	(\$1,669,434)
Security of Persons and Property	5,325,985	4,750,610	(4,299,584)	(3,805,723)
Transportation	2,663,434	1,578,545	(1,957,680)	(712,449)
Public Health and Welfare	115,550	143,772	(105,759)	(130,755)
Community Environment	160,593	31,721	(146,736)	(18,363)
Leisure Time Activities	588,449	440,631	(381,345)	(271,117)
Interest	182,132	128,132	(182,132)	(128,132)
Total	<u>\$10,800,187</u>	<u>\$8,907,818</u>	<u>(\$8,686,964)</u>	<u>(\$6,735,973)</u>

The negative amounts indicated in Table 3 should not be construed as something bad; they are merely indicative of whether a particular function of government relies on general revenues for financing or is a net contributor of resources to the general government.

Security of persons and property expenses account for approximately 49.31 percent of total 2024 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. Other significant expenses include transportation expenses which make up approximately 24.66 percent of total governmental expenses. The majority of transportation expenses include salaries, benefits and infrastructure depreciation.

The dependence on general revenues for governmental activities is apparent. The majority of governmental activities are supported through taxes and other general revenues.

Business-Type Activities

The charges for services from waste water utility services received were insufficient to cover the total expenses in 2024. Currently, the City operates three waste water treatment plants and the underground lines in a fourth service area known as Templeview, which are combined for reporting purposes. Services include monitoring and testing the discharge. The City closely monitors the cost of these services and will adjust the operating and/or capital improvement charges to pay for future development and related costs, as needed.

The City's Funds

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of the City's net resources. Governmental fund information begins with the balance sheet and is accounted for using the modified accrual basis of accounting.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

The City's major governmental funds are the general fund, the fire emergency levy special revenue fund and the street improvement capital projects fund. The increase in the general fund balance was mainly due to revenues continuing to exceed expenditures and other financing uses for the year. The fire emergency levy special revenue fund balance increased due to revenues continuing to exceed expenditures for the year, despite an uptick in expenditures over the prior year. The street improvement capital projects fund increased over the year due to the issuance of general obligation notes exceeding capital outlay and debt service requirements for the year.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2024, the City amended its general fund budget from the original certified revenues. All capital projects and requests for capital type purchases in excess of \$25,000 must be reviewed and approved individually by the Mayor, after which they are sent to the formal Council meeting for ordinance enactment on the purchase. The legal level of budgetary control has been established by Council at the personal services, contractual services/supplies and capital outlay object levels for each function for all funds. The Finance Director, with approval from the Mayor or City Council, has been authorized to allocate appropriations to more detailed function and object levels within each fund.

The general fund supports many major activities such as the police department, fire department, building and planning departments as well as the legislative and most executive activities. Some major capital projects are funded with general fund dollars. By ordinance, these funds are transferred from the general fund to capital project funds where the revenues and expenditures for the capital improvement are tracked and monitored.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows 2024 balances of capital assets as compared to 2023.

Table 4
Capital Assets
(Net of Depreciation and Amortization)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$1,364,602	\$1,364,602	\$124,417	\$124,417	\$1,489,019	\$1,489,019
Construction in Progress	375,000	703,855	0	0	375,000	703,855
Land Improvements	99,064	0				
Buildings, Structures and Improvements	1,839,958	1,889,573	16,798	10,627	1,856,756	1,900,200
Machinery and Equipment	2,247,285	2,136,895	9,995	9,150	2,257,280	2,146,045
Infrastructure						
Roads	10,758,794	9,320,655	0	0	10,758,794	9,320,655
Storm Sewers	809,179	738,420	0	0	809,179	738,420
Sewer Lines	0	0	1,585,105	1,625,888	1,585,105	1,625,888
Intangible Right to Use - Software	0	18,618	0	0	0	18,618
Total	\$17,493,882	\$16,172,618	\$1,736,315	\$1,770,082	\$19,131,133	\$17,924,082

Governmental activities capital assets increased primarily due to additions related to machinery and equipment and infrastructure.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

The City continues to improve the safety and traffic flow on its roads. This has been accomplished by the commitment to continue road resurfacing as well as road improvements within the City. During 2024, the City continues construction on 2023 road improvement rehabilitation program. Other capital asset additions included the purchase of various machinery and equipment.

City Council is committed along with the Administration to maintain its capital assets at a condition acceptable to provide the best possible service for all residents. The City continues to monitor the requirements of its public buildings and lands. Currently the existing buildings and land are adequate to provide for the current services being offered.

See Note 11 for additional information on the City's capital assets.

Debt

Table 5 summarizes bonds, loans, subscription payable, financed purchase and notes outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$277,500	\$414,000	\$240,600	\$247,000	\$518,100	\$661,000
Subscription Payable	0	19,286	0	0	0	19,286
OPWC Loans	36,563	44,795	28,390	42,586	64,953	87,381
Long-Term Notes	4,543,470	2,667,408	0	0	4,543,470	2,667,408
Short-Term Notes	653,250	458,508	0	0	653,250	458,508
Total	<u>\$5,510,783</u>	<u>\$3,603,997</u>	<u>\$268,990</u>	<u>\$289,586</u>	<u>\$5,779,773</u>	<u>\$3,893,583</u>

In 2024, the City issued \$4,500,000 in general obligation notes which were used to retire the 2023 \$3,102,000 general obligation notes. See Notes 16 and 17 for additional information on the City's outstanding debt obligations.

Current Financial Related Activities

The City of Kirtland is located in Lake County in the northeast section of Ohio, approximately 22 miles east of the City of Cleveland, and about 5 miles inland from Lake Erie. The City, with a population of about 6,800, is about 17 square miles and consists predominately of residential homes. The City is bounded on three sides by the East and West Branches of the Chagrin River, which is designated as one of Ohio's "scenic rivers." Surrounded by Geauga and Cuyahoga Counties, there is an estimated population of 2,000,000 residing within a 50 mile radius. Due to the location and the beauty of the City, there is a consistent tax basis of residential, business, and educational institutions. The City is also working on commercial development in the historical district.

The City of Kirtland remains focused on a comprehensive road program. With limited resources and the expiration of the City's road levy, the 2023 Road Program was funded by several sources including ARPA grant dollars and the general fund as a result of increased income tax revenues.

For the past several years the City has been awarded AAA's Platinum Award given to communities that demonstrate outstanding success in addressing local traffic safety issues. These statistics illustrate the commitment of our safety forces, engineering department, public works department and our residents to work together to maintain a community where people are proud to live and work.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

The Finance Director, Mayor and City Council work extremely hard managing debt levels. The Mayor annually presents an updated five-year capital budget as part of the annual budget which anticipates future capital spending requirements. The City continuously strives to operate within its means.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information contact Director of Finance, Louis Slapnicker, City of Kirtland, 9301 Chillicothe Road, Kirtland, Ohio 44094, telephone 440-256-3332, or at the website at www.kirtlandohio.com.

City of Kirtland, Ohio

Statement of Net Position

December 31, 2024

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,315,199	\$46,134	\$7,361,333
Materials and Supplies Inventory	136,084	0	136,084
Accounts Receivable	72,943	617	73,560
Permissive Tax Receivable	2,655	0	2,655
Lease Receivable	974,443	0	974,443
Intergovernmental Receivable	615,653	0	615,653
Prepaid Items	136,145	0	136,145
Municipal Income Taxes Receivable	1,557,907	0	1,557,907
Property Taxes Receivable	1,961,762	0	1,961,762
Net Pension Asset	68,812	1,096	69,908
Net OPEB Asset	65,944	1,050	66,994
Non-Depreciable Capital Assets	1,739,602	124,417	1,864,019
Depreciable Capital Assets, Net	15,754,280	1,611,898	17,366,178
<i>Total Assets</i>	<i>30,401,429</i>	<i>1,785,212</i>	<i>32,186,641</i>
Deferred Outflows of Resources			
Pension	3,236,924	13,959	3,250,794
OPEB	437,447	920	438,186
<i>Total Deferred Outflows of Resources</i>	<i>3,674,371</i>	<i>14,879</i>	<i>3,688,980</i>
Liabilities			
Accounts Payable	365,682	5,175	370,857
Contracts Payable	452,719	0	452,719
Deposits Held Payable	773,218	0	773,218
Accrued Wages and Benefits	247,606	3,612	251,218
Accrued Vacation Leave Payable	128,126	0	128,126
Intergovernmental Payable	102,082	472	102,554
Accrued Interest Payable	154,960	6,140	161,100
Unearned Revenue	56,717	0	56,717
Notes Payable	653,250	0	653,250
Long-Term Liabilities:			
Due Within One Year	238,793	22,850	261,643
Due In More Than One Year:			
Net Pension Liability (See Note 13)	9,062,151	29,968	9,092,119
Net OPEB Liability (See Note 14)	542,581	0	542,581
Other Amounts Due In More Than One Year	5,298,271	263,888	5,562,159
<i>Total Liabilities</i>	<i>18,076,156</i>	<i>332,105</i>	<i>18,408,261</i>
Deferred Inflows of Resources			
Property Taxes	1,935,743	0	1,935,743
Leases	974,443	0	974,443
Pension	285,715	585	286,211
OPEB	522,628	782	523,229
<i>Total Deferred Inflows of Resources</i>	<i>3,718,529</i>	<i>1,367</i>	<i>3,719,626</i>
Net Position			
Net Investment in Capital Assets	11,530,380	1,467,325	12,997,705
Restricted for:			
Pension and OPEB Plans	134,756	2,146	136,902
Capital Projects	2,236,012	0	2,236,012
Other Purposes	1,886,518	0	1,886,518
Unrestricted (Deficit)	(3,506,551)	(2,852)	(3,509,403)
<i>Total Net Position</i>	<i>\$12,281,115</i>	<i>\$1,466,619</i>	<i>\$13,747,734</i>

*After deferred outflows and inflows of resources related to the change in internal proportionate share of pension-related and OPEB related items have been eliminated.

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Activities
For the Year Ended December 31, 2024

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities				
General Government	\$1,764,044	\$143,590	\$6,726	\$0
Security of Persons and Property	5,325,985	591,629	434,772	0
Transportation	2,663,434	55,707	580,597	69,450
Public Health and Welfare	115,550	9,791	0	0
Community Environment	160,593	13,857	0	0
Leisure Time Activities	588,449	22,756	184,348	0
Interest	182,132	0	0	0
<i>Total Governmental Activities</i>	<i>10,800,187</i>	<i>837,330</i>	<i>1,206,443</i>	<i>69,450</i>
Business-Type Activities				
Waste Water	174,333	106,918	0	0
<i>Total</i>	<i>\$10,974,520</i>	<i>\$944,248</i>	<i>\$1,206,443</i>	<i>\$69,450</i>

General Revenues

Property Taxes Levied for:
 General Purposes
 Fire Operating
 Fire Emergency
 Police Operating
 Police Pension
 Senior Citizen Recreation
 Municipal Income Taxes
 Levied for General Purposes
 Permissive Tax
 Grants and Entitlements
 not Restricted to Specific Programs
 Investment Earnings/Interest
 Miscellaneous

Total General Revenues

Change in Net Position

*Net Position Beginning of Year as
Previously Reported*

Change in Accounting Principle (See Note 3)

Restated Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net Revenue (Expense) and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$1,613,728)	\$0	(\$1,613,728)
(4,299,584)	0	(4,299,584)
(1,957,680)	0	(1,957,680)
(105,759)	0	(105,759)
(146,736)	0	(146,736)
(381,345)	0	(381,345)
(182,132)	0	(182,132)
(8,686,964)	0	(8,686,964)
0	(67,415)	(67,415)
(8,686,964)	(67,415)	(8,754,379)
763,624	0	763,624
134,412	0	134,412
619,203	0	619,203
104,396	0	104,396
84,848	0	84,848
136,592	0	136,592
6,079,004	0	6,079,004
42,103	0	42,103
784,285	0	784,285
51,192	0	51,192
353,299	0	353,299
9,152,958	0	9,152,958
465,994	(67,415)	398,579
12,300,585	1,551,531	13,852,116
(485,464)	(17,497)	(502,961)
11,815,121	1,534,034	13,349,155
\$12,281,115	\$1,466,619	\$13,747,734

City of Kirtland, Ohio

*Balance Sheet
Governmental Funds
December 31, 2024*

	General	Fire Emergency Levy	Street Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,433,949	\$165,672	\$1,189,633	\$2,752,727	\$6,541,981
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	773,218	0	0	0	773,218
Materials and Supplies Inventory	69,496	0	0	66,588	136,084
Accounts Receivable	29,712	0	0	43,231	72,943
Interfund Receivable	0	0	0	56,717	56,717
Permissive Tax Receivable	0	0	0	2,655	2,655
Lease Receivable	974,443	0	0	0	974,443
Intergovernmental Receivable	272,318	42,405	0	300,930	615,653
Prepaid Items	136,145	0	0	0	136,145
Municipal Income Taxes Receivable	1,557,907	0	0	0	1,557,907
Property Taxes Receivable	907,331	592,796	0	461,635	1,961,762
<i>Total Assets</i>	<u>\$7,154,519</u>	<u>\$800,873</u>	<u>\$1,189,633</u>	<u>\$3,684,483</u>	<u>\$12,829,508</u>
Liabilities					
Accounts Payable	\$72,859	\$0	\$0	\$292,823	\$365,682
Contracts Payable	0	0	452,719	0	452,719
Deposits Held Payable from Restricted Assets	773,218	0	0	0	773,218
Accrued Wages and Benefits	191,747	33,254	0	22,605	247,606
Interfund Payable	56,717	0	0	0	56,717
Intergovernmental Payable	94,337	6,224	0	1,521	102,082
Unearned Revenue	0	0	0	56,717	56,717
Accrued Interest Payable	15,420	0	0	3,990	19,410
Notes Payable	518,966	0	0	134,284	653,250
<i>Total Liabilities</i>	<u>1,723,264</u>	<u>39,478</u>	<u>452,719</u>	<u>511,940</u>	<u>2,727,401</u>
Deferred Inflows of Resources					
Property Taxes	894,839	585,019	0	455,885	1,935,743
Leases	974,443	0	0	0	974,443
Unavailable Revenue	1,418,396	50,182	0	306,914	1,775,492
<i>Total Deferred Inflows of Resources</i>	<u>3,287,678</u>	<u>635,201</u>	<u>0</u>	<u>762,799</u>	<u>4,685,678</u>
Fund Balances					
Nonspendable	205,641	0	0	66,588	272,229
Restricted	0	126,194	736,914	2,306,328	3,169,436
Committed	0	0	0	175,102	175,102
Assigned	1,365,624	0	0	0	1,365,624
Unassigned (Deficit)	572,312	0	0	(138,274)	434,038
<i>Total Fund Balances</i>	<u>2,143,577</u>	<u>126,194</u>	<u>736,914</u>	<u>2,409,744</u>	<u>5,416,429</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$7,154,519</u></u>	<u><u>\$800,873</u></u>	<u><u>\$1,189,633</u></u>	<u><u>\$3,684,483</u></u>	<u><u>\$12,829,508</u></u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2024*

Total Governmental Fund Balances \$5,416,429

***Amounts reported for governmental activities in
 the statement of net position are different because:***

Capital assets used in governmental activities are not financial resources
 and therefore are not reported in the funds. 17,493,882

Other long-term assets are not available to pay for current-period expenditures
 and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	26,019
Municipal Income Taxes	1,179,774
Intergovernmental	528,771
Fines, Forfeitures and Settlements	<u>40,928</u>

Total	1,775,492
-------	-----------

In the statement of activities, interest is accrued on outstanding debt,
 whereas in governmental funds, an interest expenditure is reported when due. (135,550)

Accrued vacation leave payable is a contractually required benefit not expected
 to be paid with expendable available financial resources and therefore
 not reported in the funds. (128,126)

Long-term liabilities are not due and payable in the current period therefore
 are not reported in the funds:

General Obligation Bonds	(277,500)
OPWC Loans	(36,563)
General Obligation Notes	(4,543,470)
Compensated Absences	<u>(679,531)</u>

Total	(5,537,064)
-------	-------------

The net pension asset/liability and net OPEB asset/liability are not due and payable in the
 current period; therefore, the asset/liability and related deferred inflows/outflows
 are not reported in the governmental funds:

Net Pension Asset	68,812
Deferred Outflows - Pension	3,236,924
Net Pension Liability	(9,062,151)
Deferred Inflows - Pension	(285,715)
Net OPEB Asset	65,944
Deferred Outflows - OPEB	437,447
Net OPEB Liability	(542,581)
Deferred Inflows - OPEB	<u>(522,628)</u>

Total	<u>(6,603,948)</u>
-------	--------------------

Net Position of Governmental Activities \$12,281,115

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

	General	Fire Emergency Levy	Street Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$760,115	\$618,664	\$0	\$459,400	\$1,838,179
Permissive Tax	0	0	0	42,103	42,103
Municipal Income Taxes	5,874,996	0	0	0	5,874,996
Charges for Services	63,200	0	0	298,503	361,703
Licenses and Permits	155,590	0	0	0	155,590
Fines, Forfeitures and Settlements	46,687	0	0	27,750	74,437
Intergovernmental	746,231	84,789	0	1,348,420	2,179,440
Leases	4,070	0	0	0	4,070
Rentals	245,564	0	0	0	245,564
Investment Earnings/Interest	50,960	0	0	232	51,192
Contributions and Donations	6,726	0	0	0	6,726
Miscellaneous	<u>350,392</u>	<u>0</u>	<u>0</u>	<u>2,907</u>	<u>353,299</u>
<i>Total Revenues</i>	<u>8,304,531</u>	<u>703,453</u>	<u>0</u>	<u>2,179,315</u>	<u>11,187,299</u>
Expenditures					
Current:					
General Government	1,648,280	0	0	1,999	1,650,279
Security of Persons and Property	3,141,774	700,136	0	820,458	4,662,368
Transportation	645,135	0	0	621,623	1,266,758
Public Health and Welfare	115,550	0	0	0	115,550
Community Environment	174,304	0	0	0	174,304
Leisure Time Activities	259,566	0	0	272,858	532,424
Capital Outlay	0	0	2,084,634	1,077,518	3,162,152
Debt Service:					
Principal Retirement	19,286	0	0	144,732	164,018
Principal Retirement - Current Refunding	514,000	0	0	133,000	647,000
Refunding Notes Redeemed	0	0	2,000,000	0	2,000,000
Issuance Costs	0	0	14,100	0	14,100
Interest	<u>40,170</u>	<u>0</u>	<u>84,764</u>	<u>17,875</u>	<u>142,809</u>
<i>Total Expenditures</i>	<u>6,558,065</u>	<u>700,136</u>	<u>4,183,498</u>	<u>3,090,063</u>	<u>14,531,762</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,746,466</u>	<u>3,317</u>	<u>(4,183,498)</u>	<u>(910,748)</u>	<u>(3,344,463)</u>
Other Financing Sources (Uses)					
General Obligation Refunding Notes Issued	0	0	4,543,470	0	4,543,470
Transfers In	0	0	55,394	1,707,168	1,762,562
Transfers Out	<u>(1,552,562)</u>	<u>0</u>	<u>0</u>	<u>(210,000)</u>	<u>(1,762,562)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,552,562)</u>	<u>0</u>	<u>4,598,864</u>	<u>1,497,168</u>	<u>4,543,470</u>
<i>Net Change in Fund Balances</i>	<u>193,904</u>	<u>3,317</u>	<u>415,366</u>	<u>586,420</u>	<u>1,199,007</u>
<i>Fund Balances Beginning of Year</i>	<u>1,949,673</u>	<u>122,877</u>	<u>321,548</u>	<u>1,823,324</u>	<u>4,217,422</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,143,577</u></u>	<u><u>\$126,194</u></u>	<u><u>\$736,914</u></u>	<u><u>\$2,409,744</u></u>	<u><u>\$5,416,429</u></u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2024*

Net Change in Fund Balances - Total Governmental Funds \$1,199,007

***Amounts reported for governmental activities in the statements of activities
 are different because:***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlay exceeded depreciation/Amortization in the current period:

Capital Asset Additions:	
Capital Outlays	2,438,247
Current Year Depreciation/Amortization	<u>(1,097,608)</u>
Total	1,340,639

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (19,375)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	4,896
Municipal Income Taxes	204,008
Intergovernmental	<u>(125,988)</u>
Fines, Forfeitures and Settlements	<u>(4,034)</u>
Total	78,882

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore is not reported as expenditures in governmental funds:

Accrued Interest	(59,731)
Amortization of Note Premium	<u>20,408</u>
Total	(39,323)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	444
Vacation Benefits	<u>(54,862)</u>
Total	(54,418)

Repayment of long term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,811,018

Other financing sources, such as general obligation notes issued, in the governmental funds that increase long-term liabilities in the statement of net position. (4,543,470)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows:

Pension	666,116
OPEB	<u>12,147</u>
Total	678,263

Except for amounts reported as deferred inflows/outflows, changes in the net pension and net OPEB liability are reported as pension/OPEB expense in the statement of activities:

Pension	(974,565)
OPEB	<u>(10,664)</u>
Total	(985,229)

Change in Net Position of Governmental Activities \$465,994

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund*
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$760,115	\$715,047	\$760,115	\$45,068
Municipal Income Taxes	4,832,837	5,606,489	5,972,335	365,846
Charges for Services	49,493	58,385	61,163	2,778
Licenses and Permits	205,632	257,414	254,117	(3,297)
Fines, Forfeitures and Settlements	39,810	65,500	49,197	(16,303)
Intergovernmental	1,018,744	1,322,076	1,258,945	(63,131)
Rentals	193,908	270,886	239,628	(31,258)
Interest	28,842	32,500	35,642	3,142
Contributions and Donations	5,443	7,926	6,726	(1,200)
Miscellaneous	155,446	203,066	198,344	(4,722)
<i>Total Revenues</i>	<u>7,290,270</u>	<u>8,539,289</u>	<u>8,836,212</u>	<u>296,923</u>
Expenditures				
Current:				
General Government	2,227,329	2,376,989	2,022,835	354,154
Security of Persons and Property	3,309,966	3,431,084	3,276,675	154,409
Transportation	700,704	743,688	623,604	120,084
Public Health and Welfare	108,000	104,352	104,352	0
Community Environment	231,079	222,570	171,122	51,448
Leisure Time Activities	251,326	324,608	310,033	14,575
<i>Total Expenditures</i>	<u>6,828,404</u>	<u>7,203,291</u>	<u>6,508,621</u>	<u>694,670</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>461,866</u>	<u>1,335,998</u>	<u>2,327,591</u>	<u>991,593</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(1,539,287)</u>	<u>(2,035,325)</u>	<u>(2,035,325)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,077,421)</u>	<u>(699,327)</u>	<u>292,266</u>	<u>991,593</u>
<i>Fund Balance Beginning of Year</i>	<u>2,339,356</u>	<u>2,339,356</u>	<u>2,339,356</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>300,360</u>	<u>300,360</u>	<u>300,360</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,562,295</u></u>	<u><u>\$1,940,389</u></u>	<u><u>\$2,931,982</u></u>	<u><u>\$991,593</u></u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Emergency Levy Fund
For the Year Ended December 31, 2024*

	<u>Budgeted Amounts</u>			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$581,987	\$581,987	\$618,664	\$36,677
Intergovernmental	<u>79,112</u>	<u>79,112</u>	<u>84,789</u>	<u>5,677</u>
<i>Total Revenues</i>	<i>661,099</i>	<i>661,099</i>	<i>703,453</i>	<i>42,354</i>
Expenditures				
Current:				
Security of Persons and Property	667,256	689,704	683,285	6,419
<i>Net Change in Fund Balance</i>	<i>(6,157)</i>	<i>(28,605)</i>	<i>20,168</i>	<i>48,773</i>
<i>Fund Balance Beginning of Year</i>	<i>145,504</i>	<i>145,504</i>	<i>145,504</i>	<i>0</i>
<i>Fund Balance End of Year</i>	<i><u>\$139,347</u></i>	<i><u>\$116,899</u></i>	<i><u>\$165,672</u></i>	<i><u>\$48,773</u></i>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2024

	Waste Water
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$46,134
Accounts	617
	<hr/>
<i>Total Current Assets</i>	<hr/> 46,751
<i>Noncurrent Assets</i>	
Restricted Assets:	
Net Pension Asset	1,096
Net OPEB Asset	1,050
Non-Depreciable Capital Assets	124,417
Depreciable Capital Assets, Net	1,611,898
	<hr/>
<i>Total Noncurrent Assets</i>	<hr/> 1,738,461
<i>Total Assets</i>	<hr/> 1,785,212
Deferred Outflows of Resources	
Pension	13,959
OPEB	920
	<hr/>
<i>Total Deferred Outflows of Resources</i>	<hr/> 14,879
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	5,175
Accrued Wages and Benefits	3,612
Intergovernmental Payable	472
Accrued Interest Payable	6,140
Bonds Payable	6,700
OPWC Loans Payable	14,196
Compensated Absences Payable	1,954
	<hr/>
<i>Total Current Liabilities</i>	<hr/> 38,249
<i>Long-Term Liabilities (net of current portion)</i>	
Bonds Payable	233,900
OPWC Loans Payable	14,194
Net Pension Liability	29,968
Compensated Absences Payable	15,794
	<hr/>
<i>Total Long-Term Liabilities</i>	<hr/> 293,856
<i>Total Liabilities</i>	<hr/> 332,105
Deferred Inflows of Resources	
Pension	585
OPEB	782
	<hr/>
<i>Total Inflows Outflows of Resources</i>	<hr/> 1,367
Net Position	
Net Investment in Capital Assets	1,467,325
Restricted for Pension and OPEB Plans	2,146
Unrestricted (Deficit)	(2,852)
	<hr/>
<i>Total Net Position</i>	<hr/> \$1,466,619

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
*Statement of Revenues, Expenses
 and Changes in Fund Net Position*
Enterprise Fund
For the Year Ended December 31, 2024

	Waste Water
Operating Revenues	
Charges for Services	<u>\$106,918</u>
Operating Expenses	
Personal Services	44,623
Services and Supplies	75,538
Depreciation	<u>43,517</u>
<i>Total Operating Expenses</i>	<u>163,678</u>
<i>Operating Income (Loss)</i>	(56,760)
Non Operating Revenues (Expenses)	
Interest	<u>(10,655)</u>
<i>Change in Net Position</i>	<u>(67,415)</u>
<i>Net Position Beginning of Year as Previously Reported</i>	1,551,531
Change in Accounting Principle (See Note 3)	<u>(17,497)</u>
<i>Restated Net Position Beginning of Year</i>	<u>1,534,034</u>
<i>Net Position End of Year</i>	<u>\$1,466,619</u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2024

	<u>Waste Water</u>
Increases (Decreases) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$108,093
Cash Payments to Suppliers for Services and Supplies	(79,009)
Cash Payments for Employee Services and Benefits	<u>(38,432)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(9,348)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(9,750)
Principal Paid on Bonds	(6,400)
Interest Paid on Bonds	(10,836)
Principal Paid on OPWC Loans	<u>(14,196)</u>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(41,182)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(50,530)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>96,664</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$46,134</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	<u>(\$56,760)</u>
<i>Adjustments:</i>	
Depreciation	43,517
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	1,175
Net Pension Asset	69
Deferred Outflows - Pension	6,682
Deferred Outflows - OPEB	1,142
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(2,268)
Accrued Wages and Benefits	3,051
Intergovernmental Payable	(170)
Compensated Absences Payable	2,528
Accrued Vacation Leave Payable	(2,277)
Net Pension Liability	2,119
Net OPEB Liability	191
Deferred Inflows - Pension	(6,639)
Deferred Inflows - OPEB	<u>(1,708)</u>
<i>Total Adjustments</i>	<u>47,412</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$9,348)</u></u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Note 1 – Description of the City and Reporting Entity

Description of the City

The City of Kirtland was incorporated under the laws of the State of Ohio. The City operates under its own Charter adopted in 1971. The Charter, as amended, provides for a Council-Mayor form of government. The Mayor, elected by the voters for a four-year term, is the chief executive and administrative officer of the City and presides at Council meetings. Legislative authority is vested in a seven member council with all seven members elected at large for a term of four years. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments, boards and agencies that are not legally separate from the City. For the City of Kirtland this includes the departments and agencies that provide the following services: police and fire protection, emergency medical, parks, recreation, a cemetery, street maintenance and waste water services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The City participates in two jointly governed organization, the Northeast Ohio Public Energy Council and Regional Income Tax Agency. These organizations are presented in Note 19 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Kirtland have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described as follows.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City has two categories of funds: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund This fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the City Charter and/or general laws of Ohio.

Fire Emergency Levy Fund This fund accounts for and reports property tax revenues restricted for the payment of salaries and related expenditures and capital purposes of the fire department.

Street Improvement Fund This fund accounts for and reports revenues restricted for the payment of expenditures related to street improvements.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service funds. The City has no internal service funds.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Enterprise Fund The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

Waste Water Fund This fund accounts for revenues generated from charges for waste water services provided to the residential and commercial users of the City and for the maintenance and construction of sewer lines.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are presented using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position.

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for proprietary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty days of year-end.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees, fines, forfeitures and settlements, interest, grants and entitlements.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2024, but which were levied to finance fiscal year 2025 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, fines, forfeitures and settlements and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services, services and supplies and capital outlay object levels within each department and fund. Any budgetary modifications at this level may only be made by ordinance of Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate of estimated resources in effect at the time final appropriations were enacted by Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During 2024, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption rates.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2024 amounted to \$50,960 which includes \$20,012 assigned from other City funds.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2024, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for deposits held at the City. Restricted assets in the enterprise fund represents amounts held in trust by the pension and OPEB plans for future benefits.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets (except for intangible right-to-use subscription assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$2,500 with the exception of land as land was included regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings, Structures and Improvements	10 - 50 Years
Machinery and Equipment	5 - 20 Years
Infrastructure	15 - 50 Years

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

The City's infrastructure consists of roadways, sanitary sewers and storm sewers and includes infrastructure acquired prior to December 31, 1980.

The City is reporting intangible right to use assets related to subscription assets. Subscription assets represent intangible right to use assets related to the use of another party's IT software. These intangible right to use are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

For the City, compensated absences includes leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The City does not offer noncash settlements. The City uses a first-in first-out flow assumption for compensated absences.

Liabilities should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates and is allowed to be carried over to subsequent years, and the leave is more likely than not to be used for time off or otherwise paid in cash. For the City, this leave includes sick and vacation time. However, the City also has certain compensated absences that are dependent upon the occurrence of sporadic events that affects a relatively small proportion of employees. A liability for these types of leave is recognized when the leave commences. For the City this type of leave includes bereavement leave, military leave, personal leave, on-the-job injury leave, and court leave. Holiday leave taken on a specific date, not at the discretion of the employee is recognized as a liability when used. The liability for compensated absences includes salary-related payments, where applicable.

The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to the amount accrued in one year, the outstanding liability is recorded as "accrued vacation leave payable" on the statement of net position rather than as a long-term liability.

Liabilities for compensated absences are recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, subscriptions payable and long-term loans are recognized as a liability on the governmental fund financial statements when due.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions on enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the restricted net position, none has resulted from enabling legislation. Restricted net position for pension and OPEB plans represent the corresponding restricted asset amounts in trust by the pension and OPEB plans for future benefits. Net position restricted for other purposes include resources restricted for law enforcement, drug enforcement and education, police pension payments, state highway maintenance and recreation activities. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Leases and SBITAs

The City serves as lessor in various noncancelable leases. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City is reporting Subscription-Based Information Technology Arrangements (SBITAs) for various noncancelable IT software contracts. At the commencement of the subscription term, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

implementation costs. Subsequently, the subscription asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Subscription assets are reported with other capital assets and subscription payables are reported with long-term debt on the statement of net position.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinances or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinances or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State statute. State statute authorizes the Finance Director to assign fund balances for purchases on order provided amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2025’s budget.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension and OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for waste water system. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definition of operating are reported as nonoperating.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Note 3 – Change in Accounting Principles and Restatement of Fund Balances and Net Position

Change in Accounting Principles

For 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and related guidance from GASB Implementation Guide No. 2023-1, *Implementation Guidance Update — 2023*. The City also implemented Question 5.1 from GASB Implementation Guide No. 2021-1, *Implementation Guidance Update — 2021* and GASB Statement No. 101, *Compensated Absences*.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Question 5.1 from Implementation Guide 2021-1 addresses the collective significance of applying the capitalization threshold to individual items in a group of assets. The City reviewed its capital asset groupings and determined there were no asset groups where individually the assets were under the capitalization threshold yet were significant collectively.

The implementation of GASB Statement No. 100 and GASB Implementation Guides 2021-1 and 2023-1 did not have any effect on beginning net position/fund balance.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The effects of implementing the GASB pronouncement is shown on the table on the following page.

Restatement of Fund Balances and Net Position

The City's financial statements report compensated absences by identifying vacation benefits payable separately from the remainder of the compensated absences liability. The compensated absences restatement includes vacation benefits payable of (\$454) for governmental activities and \$2,277 for business-type activities (waste water enterprise fund) and compensated absences payable amounts of \$485,918 for governmental activities and \$15,220 for business-type activities (waste water enterprise fund).

For the City, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absence related expense on beginning net position as shown on the following table.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

	<u>Change in Accounting Principles</u>		
	<u>12/31/2023</u>		
	<u>As Previously Reported</u>	<u>GASB 101</u>	<u>12/31/2023 As Restated</u>
Government-Wide			
Governmental Activities	\$12,300,585	(\$485,464)	\$11,815,121
Business-Type Activities	<u>1,551,531</u>	<u>(17,497)</u>	<u>1,534,034</u>
Total Primary Government	<u>\$13,852,116</u>	<u>(\$502,961)</u>	<u>\$13,349,155</u>
Governmental Funds			
Major Funds:			
General	\$1,949,673	\$0	\$1,949,673
Fire Emergency Levy	122,877	0	122,877
Street Improvement	321,548	0	321,548
All Other Governmental Funds	<u>1,823,324</u>	<u>0</u>	<u>1,823,324</u>
Total Governmental Funds	<u>\$4,217,422</u>	<u>\$0</u>	<u>\$4,217,422</u>
Proprietary Fund			
Enterprise Fund:			
Waste Water	<u>\$1,551,531</u>	<u>(\$17,497)</u>	<u>1,534,034</u>

Note 4 – Accountability

The following funds had deficit fund balances as of December 31, 2024:

Capital Projects Funds:	
School Crosswalk	\$93,569
State Routes 306 and 6	44,705

The deficit in the School Crosswalk and State Routes 306 and 6 capital projects funds are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or the bonds are issued, the deficit will be eliminated. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 5 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Fund Balances	Fire Emergency Levy Street Improvement				Other Governmental Funds	Total Governmental Funds
	General	Levy	Street Improvement	Other Governmental Funds		
<u>Nonspendable:</u>						
Prepays	\$136,145	\$0	\$0	\$0		\$136,145
Inventory	69,496	0	0	66,588		136,084
<i>Total Nonspendable</i>	<i>205,641</i>	<i>0</i>	<i>0</i>	<i>66,588</i>		<i>272,229</i>
<u>Restricted for:</u>						
Police Department Operations	0	0	0	64,952		64,952
Police Pension	0	0	0	98,400		98,400
Fire Department Operations	0	126,194	0	80,516		206,710
Senior Citizens	0	0	0	67,154		67,154
Street and Highway Construction, Maintenance and Repair	0	0	0	424,021		424,021
Capital Projects	0	0	736,914	713,803		1,450,717
Debt Service	0	0	0	56,319		56,319
Other Purposes	0	0	0	801,163		801,163
<i>Total Restricted</i>	<i>0</i>	<i>126,194</i>	<i>736,914</i>	<i>2,306,328</i>		<i>3,169,436</i>
<u>Committed to:</u>						
Capital Projects	0	0	0	175,102		175,102
<u>Assigned to:</u>						
Year 2025 Operations	1,125,787	0	0	0		1,125,787
Purchases on Order						
General Government	168,501	0	0	0		168,501
Security of Persons and Property	17,200	0	0	0		17,200
Transportation	15,713	0	0	0		15,713
Public Health and Welfare	33,250	0	0	0		33,250
Leisure Time Activities	5,173	0	0	0		5,173
<i>Total Assigned</i>	<i>1,365,624</i>	<i>0</i>	<i>0</i>	<i>0</i>		<i>1,365,624</i>
Unassigned (Deficit)	572,312	0	0	(138,274)		434,038
Total Fund Balances	\$2,143,577	\$126,194	\$736,914	\$2,409,744		\$5,416,429

Note 6 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general and the major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

The major differences between the budget basis and the GAAP basis are as follows:

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
- 4) Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and major special revenue fund.

	Net Change in Fund Balances	
	General	Fire Emergency Levy
GAAP Basis	\$193,904	\$3,317
Net Adjustment for Revenue Accruals	12,715	16,851
Net Adjustment for Expenditure Accruals	292,312	0
Proceeds of Notes	518,966	0
Principal Retirement	(450,446)	0
Encumbrances	<u>(275,185)</u>	<u>0</u>
Budget Basis	<u><u>\$292,266</u></u>	<u><u>\$20,168</u></u>

Note 7 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments

At December 31, 2023, the City had \$693,158 invested in STAR Ohio with an average maturity of 27.2 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization. STAR Ohio carries a rating of AAA by Standard & Poor's. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk The City places no limit on the amount it may invest in any one issuer.

Note 8 – Receivables

Receivables at December 31, 2024, consisted primarily of property taxes, municipal income taxes, accounts (billings for user charged services and Opioid settlement monies), leases, and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes and leases, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of 2023 taxes.

2024 real property taxes were levied after October 1, 2024, on the assessed value as of January 1, 2024, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2024 real property taxes are collected in and intended to finance 2025.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2024 public utility property taxes which became a lien December 31, 2023, are levied after October 1, 2024, and are collected in 2024 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2024, was \$11.05 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2024 property tax receipts were based are as follows:

	<u>Assessed Values</u>
Real Property	
Residential/Agricultural	\$296,187,410
Other Real Estate	12,828,850
Public Utility Personal Property	<u>11,481,640</u>
Total Valuation	<u><u>\$320,497,900</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2024, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2024 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

In November of 2001, the City approved an income tax increase from one to two percent beginning January 1, 2002 on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed 1.75 percent of taxable income.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City through its collection agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The general fund receives all income tax proceeds. Payments are remitted monthly net of collection fees of approximately 2 percent.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Leases Receivable

The City is reporting leases receivable of \$974,443 in the general fund at December 31, 2024. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2024, the City recognized lease revenue of \$4,070 and interest revenue of \$15,319 in the general fund related to lease payments received. A description of the City's leasing arrangements is as follows:

Cell tower Leases – The City has entered into a lease agreement with North Star commencing in 2020 for 55 years, ending in 2075. North Star remits the lease payments monthly to the City. A summary of the future lease amounts receivable is as follows:

Year	General	
	Principal	Interest
2025	\$4,524	\$15,252
2026	4,994	15,177
2027	5,480	15,096
2028	5,981	15,006
2029	6,498	14,909
2030-2034	40,848	72,783
2035-2039	56,466	68,993
2040-2044	74,636	63,882
2045-2049	95,699	57,237
2050-2054	113,929	48,945
2055-2059	123,389	39,645
2060-2064	133,448	29,586
2065-2069	144,327	18,707
2070-2074	156,094	6,940
2075	8,130	22
	<u>\$974,443</u>	<u>\$482,180</u>

Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$40,928 as an accounts receivable related to opioid settlement monies in the OneOhio special revenue fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$36,069 not expected to be collected within one year of the date of the financial statements.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Intergovernmental Receivable

A summary of the governmental activities principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Gasoline Tax	\$234,561
Local Government	199,288
Homestead and Rollback	123,459
Motor Vehicle License	25,337
Lake County Auditor	12,677
Ohio Attorney General	12,237
State of Ohio	3,583
Ohio Bureau of Workers' Compensation	2,310
Willoughby Municipal Court	2,201
Total	<u>\$615,653</u>

Note 9 – Internal Activity

Interfund Transfers

At December 31, 2024, interfund transfers were as follows:

Transfers To	Transfers From		
	Other Governmental		
	General	Funds	Totals
Major Governmental Fund:			
Street Improvement	\$55,394	\$0	\$55,394
Other Governmental Funds:			
Police Pension	137,364	0	137,364
General Obligation Bond Retirement	29,370	96,826	126,196
School Crosswalk	0	8,157	8,157
State Routes 306 and 6	0	4,543	4,543
Capital Improvements	1,330,434	100,474	1,430,908
Total Governmental Funds	<u>1,552,562</u>	<u>210,000</u>	<u>1,762,562</u>

The general fund transfer to the police pension special revenue fund is to cover pension payments. The general fund transfer to the street improvement and capital improvements capital projects funds was for various capital improvements. The general fund transfer to the general obligation bond retirement fund was for debt payment requirements. The major capital equipment special revenue fund transfer to the general obligation bond retirement fund and the school crosswalk, the State Routes 306 and 6 and the capital improvements capital projects funds was for debt payment requirements.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Interfund Balances

The interfund balance at December 31, 2024, consists of an interfund payable/receivable between the general fund and ARPA public safety special revenue fund in the amount of \$56,717. This loan was made to subsidize grant funding until it could be secured.

Internal Balances – Change in Proportionate Share

The School District uses an internal proportionate share to allocate its net pension/OPEB liability(asset) and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the School District as a whole.

Balances related to the internal proportionate share for pension and OPEB at December 31, 2024, were as follows:

	Pension		OPEB	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Governmental Activities	\$89	\$0	\$181	\$0
Business-Type Activities:				
Waste Water	0	89	0	181
Total	<u>\$89</u>	<u>\$89</u>	<u>\$181</u>	<u>\$181</u>

Note 10 - Contingencies

Grants

The City receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City.

Litigation

As of December 31, 2024, the City was not party to any legal proceedings.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2024, in governmental activities, was as follows:

	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024
Governmental Activities:				
<i>Nondepreciable Capital Assets</i>				
Land	\$1,364,602	\$0	\$0	\$1,364,602
Construction in Progress	<u>703,855</u>	<u>1,864,157</u>	<u>(2,193,012)</u>	<u>375,000</u>
<i>Total Nondepreciable Capital Assets</i>	<u>2,068,457</u>	<u>1,864,157</u>	<u>(2,193,012)</u>	<u>1,739,602</u>
<i>Depreciable Capital Assets</i>				
<i>Tangible Assets</i>				
Land Improvements	0	99,851	0	99,851
Buildings, Structures and Improvements	6,608,488	0	(241,738)	6,366,750
Machinery and Equipment	7,321,539	474,240	(979,383)	6,816,396
Infrastructure:				
Roads	38,836,640	2,051,209	0	40,887,849
Storm Sewer	<u>1,705,367</u>	<u>141,802</u>	<u>0</u>	<u>1,847,169</u>
<i>Total Tangible Assets</i>	<u>54,472,034</u>	<u>2,767,102</u>	<u>(1,221,121)</u>	<u>56,018,015</u>
<i>Intangible Assets</i>				
<i>Subscription Assets</i>				
Intangible Right to Use - Software	37,236	0	(37,236)	0
<i>Total Depreciable Capital Assets</i>	<u>54,509,270</u>	<u>2,767,102</u>	<u>(1,258,357)</u>	<u>56,018,015</u>
<i>Less Accumulated Depreciation/Amortization</i>				
<i>Depreciation</i>				
Land Improvements	0	(787)	0	(787)
Buildings, Structures and Improvements	(4,718,915)	(49,528)	241,651	(4,526,792)
Machinery and Equipment	(5,184,644)	(344,562)	960,095	(4,569,111)
Infrastructure:				
Roads	(29,515,985)	(613,070)	0	(30,129,055)
Storm Sewer	<u>(966,947)</u>	<u>(71,043)</u>	<u>0</u>	<u>(1,037,990)</u>
<i>Total Depreciation</i>	<u>(40,386,491)</u>	<u>(1,078,990)</u>	<u>1,201,746</u>	<u>(40,263,735)</u>
<i>Amortization</i>				
<i>Intangible Assets</i>				
<i>Subscription Assets</i>				
Intangible Right to Use - Software	(18,618)	(18,618)	37,236	0
<i>Total Accumulated Depreciation/Amortization</i>	<u>(40,405,109)</u>	<u>(1,097,608)</u>	<u>1,238,982</u>	<u>(40,263,735)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>14,104,161</u>	<u>1,669,494</u>	<u>(19,375)</u>	<u>15,754,280</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$16,172,618</u>	<u>\$3,533,651</u>	<u>(\$2,212,387)</u>	<u>\$17,493,882</u>

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

* Depreciation/Amortization expense was charged to governmental activities as follows:

	Depreciation	Amortization	Total
General Government	\$40,406	\$0	\$40,406
Security of Persons and Property	154,227	18,618	172,845
Transportation	849,435	0	849,435
Leisure Time Activities	34,922	0	34,922
Total	\$1,078,990	\$18,618	\$1,097,608

Capital asset activity for the year ended December 31, 2024, in business-type activities, was as follows:

	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024
Business-Type Activities:				
<i>Capital Assets, not being depreciated</i>				
Land	\$124,417	\$0	\$0	\$124,417
<i>Capital Assets, being depreciated</i>				
Buildings, Structures and Improvements	164,476	7,150	0	171,626
Machinery and Equipment	57,129	2,600	0	59,729
Infrastructure:				
Sewer Lines	2,798,671	0	0	2,798,671
<i>Total Capital Assets, being depreciated</i>	<u>3,020,276</u>	<u>9,750</u>	<u>0</u>	<u>3,030,026</u>
<i>Less Accumulated Depreciation:</i>				
Buildings, Structures and Improvements	(153,849)	(979)	0	(154,828)
Machinery and Equipment	(47,979)	(1,755)	0	(49,734)
Infrastructure:				
Sewer Lines	(1,172,783)	(40,783)	0	(1,213,566)
<i>Total Accumulated Depreciation</i>	<u>(1,374,611)</u>	<u>(43,517)</u>	<u>0</u>	<u>(1,418,128)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>1,645,665</u>	<u>(33,767)</u>	<u>0</u>	<u>1,611,898</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$1,770,082</u>	<u>(\$33,767)</u>	<u>\$0</u>	<u>\$1,736,315</u>

Note 12 - Risk Management

Workers' Compensation

The City pays the State Workers' Compensation System a premium based on gross payroll. This rate is calculated based on accident history and administrative costs.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Property and Liability

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2024, the City contracted with various insurance agencies for various types of insurance. The type, coverage, and deductibles for the City's insurance follows:

Type	Coverage	Deductible
Commercial Property	\$14,702,468	\$2,500
Earthquake and Flood	1,000,000	50,000
EDP Coverage	200,000	500
Boiler Machinery and Machinery	Included-Property Limit	2,500
Inland Marine-Scheduled Equipment	1,762,350	1,000
Leased/Rental Equipment	250,000	1,000
Inland Marine Earthquake and Flood	500,000	25,000
Crime	175,000	2,500
Commercial General Liability	3,000,000	0
Employee Benefits	3,000,000	1,000
Excess Liability	10,000,000	0
Commercial Automotive	1,000,000	0
Auto Physical Damage	Per Schedule	1,000
Uninsured Motorists	50,000	0
Underinsured Motorist	75,000	0
Law Enforcement	1,000,000	5,000
Public Officials	1,000,000	5,000
Employment Practices	1,000,000	5,000

Settled claims have not exceeded this coverage in any of the last three years. There has not been significant reduction in coverage from the prior year.

Note 13 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability (Asset)

The net pension liability (asset) and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculations are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2024, the Combined Plan was consolidated into the Traditional Pension Plan, as approved by the legislature in House Bill 33. The Traditional Pension Plan includes members of the legacy Combined Plan, a hybrid defined benefit/defined contribution plan which was closed to new members effective January 1, 2022. New members are no longer able to select the Combined Plan and current members are no longer able to make a plan change to the Combined Plan. The Combined Plan was consolidated into the Traditional Pension Plan effective January 1, 2024, as a separate division. No changes were made to the benefit design features of the Combined Plan as part of this consolidation so that members in this plan will experience no changes. The City's 2024 net pension liability (asset) for OPERS is measured as of December 31, 2023, and reflects the Traditional Plan and the Combined Plan as two separate plans. The City's 2025 financial statements will reflect the effects of the Combined Plan being consolidated into the Traditional Pension Plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced previously for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Traditional plan state and local members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement.

Combined plan members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost-of-living adjustment (COLA). This COLA is calculated on the member's original base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

		State and Local	
		Traditional	Combined
2024 Statutory Maximum Contribution Rates			
Employer		14.0 %	14.0 %
Employee *		10.0 %	10.0 %
2024 Actual Contribution Rates			
Employer:			
Pension **		14.0 %	12.0 %
Post-employment Health Care Benefits **		0.0	2.0
Total Employer		<u>14.0 %</u>	<u>14.0 %</u>
Employee		<u>10.0 %</u>	<u>10.0 %</u>

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

For 2024, the City's contractually required contribution was \$189,012 for the traditional plan, and \$5,646 for the combined plan. Of these amounts, \$8,375 is reported as an intergovernmental payable for the traditional plan, and \$250 for the combined plan.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced previously for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2024 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2024 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$474,508 for 2024. Of this amount, \$20,623 is reported as an intergovernmental payable.

Pension Liabilities (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0073050%	0.0227430%	0.0743128%	
Prior Measurement Date	<u>0.0072290%</u>	<u>0.0279480%</u>	<u>0.0673076%</u>	
Change in Proportionate Share	<u>0.0000760%</u>	<u>-0.0052050%</u>	<u>0.0070052%</u>	
Proportionate Share of the:				
Net Pension Liability	\$1,912,477	\$0	\$7,179,642	\$9,092,119
Net Pension (Asset)	0	(69,908)	0	(69,908)
Pension Expense	154,337	1,524	823,985	979,846

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$31,257	\$2,832	\$230,488	\$264,577
Changes of assumptions	0	2,595	453,745	456,340
Net difference between projected and actual earnings on pension plan investments	386,019	11,370	813,604	1,210,993
Changes in proportion and differences between City contributions and proportionate share of contributions	21,906	15,034	612,778	649,718
City contributions subsequent to the measurement date	<u>189,012</u>	<u>5,646</u>	<u>474,508</u>	<u>669,166</u>
Total Deferred Outflows of Resources	<u>\$628,194</u>	<u>\$37,477</u>	<u>\$2,585,123</u>	<u>\$3,250,794</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$0	\$6,914	\$80,296	\$87,210
Changes of assumptions	0	0	109,031	109,031
Changes in proportion and differences between City contributions and proportionate share of contributions	0	28,731	61,239	89,970
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$35,645</u>	<u>\$250,566</u>	<u>\$286,211</u>

\$669,166 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2025	\$115,671	(\$1,803)	\$471,822	\$585,690
2026	132,144	(414)	495,002	626,732
2027	246,335	3,206	679,401	928,942
2028	(54,968)	(5,060)	90,373	30,345
2029	0	(2,465)	119,853	117,388
Thereafter	0	2,722	3,598	6,320
Total	\$439,182	(\$3,814)	\$1,860,049	\$2,295,417

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2023, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees (Current Year)	2.3 percent, simple through 2024, then 2.05 percent, simple	2.3 percent, simple through 2024, then 2.05 percent, simple
Post-January 7, 2013 Retirees (Prior Year)	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.2 percent for 2023.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	2.85%
Domestic Equities	21.00	4.27
Real Estate	13.00	4.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other Investments	<u>5.00</u>	3.46
Total	<u>100.00%</u>	

Discount Rate The discount rate used to measure the total pension liability was 6.9 percent for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.9 percent) or one percentage point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	\$3,010,756	\$1,912,477	\$999,032
OPERS Combined Plan	(42,302)	(69,908)	(91,654)

Actuarial Assumptions – OP&F

The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful life of the participants, which was 6.03 years at December 31, 2023.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2023, are presented as follows:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	2.2 percent simple per year

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.10 %
Non-US Equity	12.40	4.90
Private Markets	10.00	7.30
Core Fixed Income *	25.00	2.40
High Yield Fixed Income	7.00	4.10
Private Credit	5.00	6.80
U.S. Inflation Linked Bonds*	15.00	2.10
Midstream Energy Infrastructure	5.00	5.80
Real Assets	8.00	6.00
Gold	5.00	3.50
Private Real Estate	12.00	5.40
Commodities	2.00	3.50
Total	<u>125.00 %</u>	

Note: Assumptions are geometric.

* levered 2.0x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective in the previous table, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Discount Rate For 2023, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$9,509,971	\$7,179,642	\$5,241,747

Note 14 – Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System (OPERS)

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined, and Member-Directed plans. The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Age 65 or Older Retirees Minimum of 20 years of qualifying service credit

Age 60 to 64 Retirees Based on the following age-and-service criteria:

Group A 30 years of total service with at least 20 years of qualified health care service credit;

Group B 31 years of total service credit with at least 20 years of qualified health care service credit; or

Group C 32 years of total service credit with at least 20 years of qualified health care service credit.

Age 59 or Younger Retirees Based on the following age-and-service criteria:

Group A 30 years of qualified health care service credit;

Group B 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or

Group C 32 years of qualified health care service credit and at least age 55.

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Group A	Group B	Group C
Age and Service Requirements <i>December 1, 2014 or Prior</i>	Age and Service Requirements <i>December 1, 2014 or Prior</i>	Age and Service Requirements <i>December 1, 2014 or Prior</i>
Any Age with 10 years of service credit	Any Age with 10 years of service credit	Any Age with 10 years of service credit
<i>January 1, 2015 through December 31, 2021</i>	<i>January 1, 2015 through December 31, 2021</i>	<i>January 1, 2015 through December 31, 2021</i>
Age 60 with 20 years of service credit or Any Age with 30 years of service credit	Age 52 with 31 years of service credit or Age 60 with 20 years of service credit or Any Age with 32 years of service credit	Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B and C.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

The base allowance is determined by OPERS and is currently \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees. The retiree receives a percentage of the base allowance, calculated based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10 percent each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20 percent per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2024, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan which has continued through 2024. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2024 was 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$941 for 2024. Of this amount, \$42 is reported as an intergovernmental payable.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units,

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2024, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$11,221 for 2024. Of this amount, \$487 is reported as an intergovernmental payable.

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.0074230%	0.0743128%	
Prior Measurement Date	<u>0.0075370%</u>	<u>0.0673076%</u>	
Change in Proportionate Share	<u>-0.00001140%</u>	<u>0.0070052%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$0	\$542,581	\$542,581
Net OPEB (Asset)	(66,994)	0	(66,994)
OPEB Expense	(19,028)	29,332	10,304

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$26,092	\$26,092
Changes of assumptions	17,248	186,707	203,955
Net difference between projected and actual earnings on OPEB plan investments	40,234	40,066	80,300
Changes in proportion and differences between City contributions and proportionate share of contributions	809	114,868	115,677
City contributions subsequent to the measurement date	<u>941</u>	<u>11,221</u>	<u>12,162</u>
Total Deferred Outflows of Resources	<u><u>\$59,232</u></u>	<u><u>\$378,954</u></u>	<u><u>\$438,186</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$9,536	\$99,711	\$109,247
Changes of assumptions	28,799	349,409	378,208
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>35,774</u>	<u>35,774</u>
Total Deferred Inflows of Resources	<u><u>\$38,335</u></u>	<u><u>\$484,894</u></u>	<u><u>\$523,229</u></u>

\$12,162 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2025	(\$1,146)	\$4,359	\$3,213
2026	3,369	(11,498)	(8,129)
2027	31,318	(2,229)	29,089
2028	(13,585)	(34,334)	(47,919)
2029	0	(38,714)	(38,714)
Thereafter	<u>0</u>	<u>(34,745)</u>	<u>(34,745)</u>
Total	<u><u>\$19,956</u></u>	<u><u>(\$117,161)</u></u>	<u><u>(\$97,205)</u></u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent including wage inflation
Single Discount Rate	5.70 percent
Prior Year Single Discount Rate	5.22 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.77 percent
Prior Year Municipal Bond Rate	4.05 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2038
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.0 percent for 2023.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00%	2.82%
Domestic Equities	25.00	4.27
Real Estate Investment Trust	5.00	4.68
International Equities	25.00	5.16
Risk Parity	3.00	4.38
Other Investments	<u>5.00</u>	2.43
Total	<u>100.00%</u>	

Discount Rate A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent. (Fidelity Index's "20-Year Municipal GO AA Index") The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.70 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (4.70 percent) or one percentage point higher (6.70 percent) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	(4.70%)	(5.70%)	(6.70%)
City's proportionate share of the net OPEB liability (asset)	\$36,818	(\$66,994)	(\$152,988)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net OPEB liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB liability (asset)	(\$69,776)	(\$66,994)	(\$63,838)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented as follows:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.50 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended Discount Rate:	
Current measurement rate	4.07 percent
Prior measurement rate	4.27 percent
Cost-of-Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2038

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

The most recent experience study was completed for the five-year period ended December 31, 2021.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate For 2023, the total OPEB liability was calculated using the discount rate of 4.07 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.5 percent was applied to periods before December 31, 2037, and the Municipal Bond Index Rate of 3.38 percent was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07 percent.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.07 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.07 percent), or one percentage point higher (5.07 percent), than the current rate:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

	1% Decrease (3.07%)	Current Discount Rate (4.07%)	1% Increase (5.07%)
City's proportionate share of the net OPEB liability	\$668,309	\$542,581	\$436,693

Note 15 – Other Employee Benefits

Compensated Absences

Employees earn one to five weeks of vacation per year, depending upon length of service, which is calculated based on the hire date of each full time employee. This time should be taken within one year from the employee's anniversary date; however, in approved cases, an employee may be paid for vacation days the employee was unable to take. Non-Bargaining employees earn thirteen holidays per year including five personal days off and one personal sick day. Upon termination, employees are paid for accrued unused vacation, compensatory or holiday time earned but not used.

Employees earn sick leave at a rate of .0575 percent of each and every 80 hours they are paid on a biweekly or salary basis, either for hours worked or for paid time off. They earn sick time up to a maximum of 119.60 hours of sick time per year. During 2015, the fire department full time staff started a new agreement whereby the employees could earn sick time at the same rate of .0575 hours but since they work 24-hour shifts, or work 50.9 hours per week, they would earn 5.85 hours per pay, for a maximum of 154 hours per year. Sick leave accrual is continuous, without limit. Upon retirement, an employee with ten years of continuous service or more with the City is eligible for payout based on the applicable CBA or ordinance.

Social Security

Some City employees pay into Social Security. The City's liability is 6.2 percent of wages.

Health Insurance

The City provides hospitalization, medical, dental, vision and life insurance for all full time employees. Starting January 1, 2021 the City entered into a three year contract with the Lake County Board of Commissioners to participate in their group health plan. Medical Mutual provided the hospitalization and medical insurance in 2024. Employees pay twelve percent of the premium up to a maximum of \$300 per month effective January 2022. Guardian provides dental, vision and life insurance at no cost to employees. Full-time employees are covered under the City's group term life and accidental death and dismemberment in the amount of \$20,000. Furthermore, eligible employees have the option of purchasing additional life insurance in increments of \$10,000 with a maximum of \$300,000.

Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 456 and is considered an other employee benefit plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Note 16 – Short-Term Obligations

A summary of note transactions for the year ended December 31, 2024 follows:

	Balance 1/1/2024	Additions	Reductions	Balance 12/31/24
General Fund:				
Arborhurst & Singlefoot Rds - 2020	\$11,085	\$160,537	(\$11,085)	\$160,537
Road Equipment - 2020	59,454	0	(59,454)	0
Fire Engine - 2017	45,347	272,608	(45,347)	272,608
Service Department Vehicles - 2018	135,033	0	(135,033)	0
City Hall Roof (Phase II) - 2020	5,039	85,821	(5,039)	85,821
Safety System Upgrade - 2020	65,501	0	(65,501)	0
Fire Squad - 2020	128,987	0	(128,987)	0
Total General Fund	450,446	518,966	(450,446)	518,966
School Crosswalk Fund:				
School Crosswalk - 2020	5,039	90,869	(5,039)	90,869
State Routes 306 and 6 Fund:				
State Route 306 Slope Stabilization	3,023	43,415	(3,023)	43,415
Total	\$458,508	\$653,250	(\$458,508)	\$653,250

All the notes are backed by the full faith and credit of the City of Kirtland and mature within one year. The maturity date for all outstanding notes is April 17, 2025 and the notes have an interest rate of 4.50 percent. The note liability is reflected in the funds which received the proceeds. All note proceeds have been fully expended. The notes will be paid from transfers from the general obligation bond retirement fund.

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are limitations on the number of times a note can be renewed. All notes outstanding at year-end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it is advantageous to issue bonds. The \$653,250 liability above represents the portion of these notes which will be paid down in 2025. The remaining balance of these notes is reported as a long-term liability (See Note 17).

Note 17 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds, notes and loans follows:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Enterprise General Obligation Bonds:</i>			
Templeview Sewer Project Bond - 2006	4.375%	\$323,000	June 1, 2046
<i>Enterprise Ohio Public Works Commission Loans:</i>			
Templeview Sewer - 2003	0.00	283,915	July 1, 2026
<i>General Obligation Bonds:</i>			
Various Purpose Refunding Bonds - 2016:	2.38		
State Route 306 Improvement		662,729	December 1, 2026
Parks and Recreation Purposes		408,318	December 1, 2026
Service Facility		125,636	December 1, 2026
Senior Center		62,817	December 1, 2026
<i>From Direct Borrowings:</i>			
<i>Ohio Public Works Commission Loans:</i>			
Route 306 Widening Phase II - 2005	0.00	50,000	January 31, 2026
Route 306 and Route 6 Intersection - 2011	0.00	50,000	July 1, 2030
Route 306 at Lakeland Community College - 2015	0.00	49,600	January 31, 2030

The changes in long-term obligations during the year were as follows:

	Restated Balance 1/1/24	Additions	Reductions	Balance 12/31/24	Amounts Due in One Year
Governmental Activities:					
Various Purpose Refunding Bonds 2016:					
State Route 306 Improvement	\$217,840	\$0	(\$71,824)	\$146,016	\$72,613
Parks and Recreation Purposes	134,215	0	(44,252)	89,963	44,738
Service Facility	41,297	0	(13,616)	27,681	13,766
Senior Center	20,648	0	(6,808)	13,840	6,883
<i>Total Various Purpose Refunding Bonds</i>	<u>414,000</u>	<u>0</u>	<u>(136,500)</u>	<u>277,500</u>	<u>138,000</u>
Loans from Direct Borrowings:					
<i>OPWC Loans:</i>					
Route 306 Widening, Phase II 2005	6,250	0	(2,500)	3,750	2,500
Route 306 and Route 6 Intersection	18,420	0	(2,632)	15,788	2,632
Route 306 at Lakeland Community College	20,125	0	(3,100)	17,025	3,100
<i>Total Loans from Direct Borrowings</i>	<u>44,795</u>	<u>0</u>	<u>(8,232)</u>	<u>36,563</u>	<u>8,232</u>
Long-Term Notes Payable:					
Arborhurst and Singlefoot Roads - 2019	160,227	0	(160,227)	0	0
Fire Engine - 2019	272,081	0	(272,081)	0	0
City Hall Roof (Phase II) - 2019	85,655	0	(85,655)	0	0
School Crosswalk	90,694	0	(90,694)	0	0
State Route 306 Slope Stabilization - 2020	43,332	0	(43,332)	0	0
Street Improvement Notes - 2023	2,015,419	0	(2,015,419)	0	0
Street Improvement Notes - 2024	0	4,543,470	0	4,543,470	0
<i>Total Long-Term Notes Payable</i>	<u>\$2,667,408</u>	<u>\$4,543,470</u>	<u>(\$2,667,408)</u>	<u>\$4,543,470</u>	<u>\$0</u>

(continued)

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

	Restated Balance 1/1/24	Additions	Reductions	Balance 12/31/24	Amounts Due in One Year
<i>Other Long-Term Obligations:</i>					
Compensated Absences	\$679,975	\$0	(\$444)	\$679,531	\$92,561
Subscription Payables	19,286	0	(19,286)	0	0
<i>Total Other Long-Term Obligations</i>	<i>699,261</i>	<i>0</i>	<i>(19,730)</i>	<i>679,531</i>	<i>92,561</i>
<i>Net Pension Liability:</i>					
OPERS	2,110,679	0	(228,170)	1,882,509	0
OP&F	6,393,569	786,073	0	7,179,642	0
<i>Total Net Pension Liability</i>	<i>8,504,248</i>	<i>786,073</i>	<i>(228,170)</i>	<i>9,062,151</i>	<i>0</i>
<i>Net OPEB Liability:</i>					
OPERS	46,970	0	(46,970)	0	0
OP&F	479,209	63,372	0	542,581	0
<i>Total OPEB Liability</i>	<i>526,179</i>	<i>63,372</i>	<i>(46,970)</i>	<i>542,581</i>	<i>0</i>
<i>Total Governmental Activities</i>	<i>\$12,855,891</i>	<i>\$5,392,915</i>	<i>(\$3,107,010)</i>	<i>\$15,141,796</i>	<i>\$238,793</i>
Business-Type Activities					
<i>General Obligation Bonds</i>					
Templeview Sewer Project	\$247,000	\$0	(\$6,400)	\$240,600	\$6,700
OPWC Loan - Templeview Sewer	42,586	0	(14,196)	28,390	14,196
Compensated Absences	15,220	2,528	0	17,748	1,954
OPERS Net Pension Liability	24,771	5,197	0	29,968	0
OPERS Net OPEB Liability	552	0	(552)	0	0
<i>Total Business-Type Activities</i>	<i>\$330,129</i>	<i>\$7,725</i>	<i>(\$21,148)</i>	<i>\$316,706</i>	<i>\$22,850</i>

In 2006, the City issued \$323,000 in forty year general obligation bonds with an interest rate of 4.375 percent. The bond proceeds were used for the Templeview sewer project. The waste water refunding bonds will be paid from collections in the waste water fund.

From 2003 to 2006, the City received \$283,915 in Ohio Public Works Commission (OPWC) loans through direct placement for the Templeview Sewer Project. The OPWC loan will be paid from collections in the waste water fund.

In 2016, the City issued general obligation bonds, in the amount of \$1,259,500 to currently refund bonds previously issued in 2006. The current refunding was undertaken to take advantage of lower interest rates. The bonds were issued with an interest rate of 2.38 percent and were issued for a ten year period with final maturity on December 1, 2026. The bonds will be retired through the general obligation bond retirement debt service fund.

In 2005, the City received a \$50,000 OPWC loan through direct placement for the Route 306 Widening Phase II Project which will be paid from the general obligation bond retirement fund.

In 2011, the City received the remaining \$29,688 of a \$50,000 OPWC loan through direct placement for the Route 306 and Route 6 Intersection Project which will be paid from the general obligation bond retirement fund.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

In 2014, the City received a \$49,600 OPWC loan through direct placement for the Route 306 at Lakeland Community College Project which will be paid from the general obligation bond retirement fund.

During 2023, the City issued \$2,647,000 in bond anticipation notes which were used to retire the 2022 \$3,102,000 in 2022 bond anticipation notes and for the purchase of new equipment. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as long-term liabilities and therefore, have been excluded from the amount due in one year.

During 2024, the City issued \$4,500,000 in bond anticipation notes which were used to retire the 2023 \$5,147,000 in 2023 bond anticipation notes and for street improvements. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as long-term liabilities and therefore, have been excluded from the amount due in one year.

Increases and decreases to compensated absences are presented net on the above table.

The City pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension contributions are made from the general fund and the waste water enterprise fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

The City has outstanding contracts to use of a SBITA Vendor's IT Software. The future subscription payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the subscription. The subscription was paid from the general fund.

The City's overall legal debt margin was \$28,851,066 with an unvoted debt margin of \$17,627,385 at December 31, 2024. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2024 are as follows:

	Governmental Activities			Business-Type Activities		
			From Direct Borrowings			From Direct Borrowings
	General Obligation Bonds			OPWC Loan	General Obligation Bonds	
	Principal	Interest	Principal	Principal	Interest	Principal
2025	\$138,000	\$4,962	\$8,232	\$6,700	\$10,526	\$14,196
2026	139,500	1,660	6,982	7,000	10,233	14,194
2027	0	0	5,731	7,300	9,927	0
2028	0	0	5,732	7,600	9,634	0
2029	0	0	5,731	8,000	9,275	0
2030-2034	0	0	4,155	45,500	40,842	0
2035-2039	0	0	0	56,400	29,969	0
2040-2044	0	0	0	69,800	16,504	0
2045-2047	0	0	0	32,300	2,135	0
Total	<u><u>\$277,500</u></u>	<u><u>\$6,622</u></u>	<u><u>\$36,563</u></u>	<u><u>\$240,600</u></u>	<u><u>\$139,045</u></u>	<u><u>\$28,390</u></u>

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

The City's outstanding OPWC loans from direct borrowings and direct placements related to governmental activities of \$36,563 and related to business type activities of \$28,390 contain a provision that in an event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

Note 18 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

	Amount		Amount
Governmental Funds:		Proprietary Fund:	
General	\$275,185	Waste Water	<u>\$4,153</u>
Street Improvement	884,517		
Other Governmental Funds	<u>891,825</u>		
Total Governmental Funds	<u>\$2,051,527</u>		

Note 19 – Jointly Governed Organizations

Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 240 communities who have been authorized by ballot to purchase electricity or natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the nine-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation programs. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2024. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 4413.

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments (COG). Each member has one representative to the council of governments and is

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the COG. For 2024, the City paid RITA \$116,216 for income tax collection services.

Note 20 – Asset Retirement Obligations

The Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

Note 21 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 22 – Subsequent Events

On April 15, 2025, the City issued \$4,500,000 in general obligation bond anticipation notes. The notes were sold at an interest rate of 5.00 percent and mature on April 15, 2026. The notes were used to retire \$4,500,000 in street improvement bond anticipation notes.

Required Supplementary Information

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Years

	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.0073050%	0.0072290%	0.0068470%	0.0095050%
City's Proportionate Share of the Net Pension Liability	\$1,912,477	\$2,135,450	\$595,717	\$1,407,484
City's Covered Payroll	\$1,202,407	\$1,120,543	\$993,664	\$1,338,821
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	159.05%	190.57%	59.95%	105.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
0.0111650%	0.0123410%	0.0123440%	0.0123650%	0.0128890%	0.0131390%
\$2,206,838	\$3,379,950	\$1,936,535	\$2,807,880	\$2,232,537	\$1,584,711
\$1,571,000	\$1,666,843	\$1,631,246	\$1,598,392	\$1,604,217	\$1,610,883
140.47%	202.78%	118.72%	175.67%	139.17%	98.38%
82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
Last Seven Years (1)

	2024	2023	2022
City's Proportion of the Net Pension Asset	0.0227430%	0.0279480%	0.0266350%
City's Proportionate Share of the Net Pension Asset	(\$69,908)	(\$65,872)	(\$104,944)
City's Covered Payroll	\$104,433	\$130,000	\$121,429
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	66.94%	50.67%	86.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	144.55%	137.14%	169.88%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018
0.0126680%	0.0051350%	0.0062580%	0.0048670%
(\$36,568)	(\$10,708)	(\$6,998)	(\$6,625)
\$55,829	\$22,857	\$26,764	\$19,938
65.50%	46.85%	26.15%	33.23%
157.67%	145.28%	126.64%	137.28%

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB (Asset)/Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Eight Years (1)

	2024	2023	2022
City's Proportion of the Net OPEB Asset/Liability	0.0074230%	0.0075370%	0.0071510%
City's Proportionate Share of the Net OPEB (Asset)/Liability	(\$66,994)	\$47,522	(\$223,981)
City's Covered Payroll	\$1,310,418	\$1,254,368	\$1,115,218
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-5.11%	3.79%	-20.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.76%	94.79%	128.23%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.0092470%	0.0105790%	0.0116810%	0.0116600%	0.0115600%
(\$164,744)	\$1,461,234	\$1,522,928	\$1,266,190	\$1,167,599
\$1,398,500	\$1,598,257	\$1,694,257	\$1,651,809	\$1,598,392
-11.78%	91.43%	89.89%	76.65%	73.05%
115.57%	47.80%	46.33%	54.14%	54.04%

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Police and Fire Pension Fund
Last Ten Years

	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.0743128%	0.0673076%	0.0644728%	0.0662074%
City's Proportionate Share of the Net Pension Liability	\$7,179,642	\$6,393,569	\$4,027,888	\$4,513,417
City's Covered Payroll	\$2,201,295	\$1,703,888	\$1,621,668	\$1,591,576
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	326.16%	375.23%	248.38%	283.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%	62.90%	75.03%	70.65%

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
0.0638224%	0.0648340%	0.0615670%	0.0662470%	0.0671060%	0.0645996%
\$4,299,418	\$5,292,168	\$3,778,644	\$4,196,018	\$4,316,976	\$3,346,528
\$1,512,881	\$1,420,506	\$1,413,663	\$1,396,114	\$1,342,602	\$1,266,312
284.19%	372.56%	267.29%	300.55%	321.54%	264.27%
69.89%	63.07%	70.91%	68.36%	66.77%	71.71%

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Seven Years (1)

	2024	2023	2022
City's Proportion of the Net OPEB Liability	0.0743128%	0.0673076%	0.0644728%
City's Proportionate Share of the Net OPEB Liability	\$542,581	\$479,209	\$706,680
City's Covered Payroll	\$2,021,295	\$1,703,888	\$1,621,668
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	26.84%	28.12%	43.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.89%	52.59%	46.86%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.0662074%	0.0638224%	0.0648340%	0.0615670%	0.0662470%
\$701,479	\$630,420	\$590,414	\$3,488,299	\$3,144,596
\$1,591,576	\$1,512,881	\$1,420,506	\$1,413,663	\$1,396,114
44.07%	41.67%	41.56%	246.76%	225.24%
45.42%	47.08%	46.57%	14.13%	15.96%

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Ten Years

	2024	2023	2022	2021
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$189,012	\$168,337	\$156,876	\$139,113
Contributions in Relation to the Contractually Required Contribution	<u>(189,012)</u>	<u>(168,337)</u>	<u>(156,876)</u>	<u>(139,113)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll	\$1,350,086	\$1,202,407	\$1,120,543	\$993,664
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net Pension Liability - Combined Plan				
Contractually Required Contribution	\$5,646	\$12,532	\$18,200	\$17,000
Contributions in Relation to the Contractually Required Contribution	<u>(5,646)</u>	<u>(12,532)</u>	<u>(18,200)</u>	<u>(17,000)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll	\$47,050	\$104,433	\$130,000	\$121,429
Pension Contributions as a Percentage of Covered Payroll	<u>12.00%</u>	<u>12.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability - OPEB Plan (1)				
Contractually Required Contribution	\$941	\$2,206	\$153	\$5
Contributions in Relation to the Contractually Required Contribution	<u>(941)</u>	<u>(2,206)</u>	<u>(153)</u>	<u>(5)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll (2)	\$1,397,136	\$1,310,418	\$1,254,368	\$1,115,218
OPEB Contributions as a Percentage of Covered Payroll	<u>0.07%</u>	<u>0.17%</u>	<u>0.01%</u>	<u>0.00%</u>

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the traditional plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
\$187,435	\$219,940	\$233,358	\$212,062	\$191,807	\$192,506
(187,435)	(219,940)	(233,358)	(212,062)	(191,807)	(192,506)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,338,821	\$1,571,000	\$1,666,843	\$1,631,246	\$1,598,392	\$1,604,217
14.00%	14.00%	14.00%	13.00%	12.00%	12.00%
\$7,816	\$3,200	\$3,747	\$2,592		
(7,816)	(3,200)	(3,747)	(2,592)		
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>		
\$55,829	\$22,857	\$26,764	\$19,938		
14.00%	14.00%	14.00%	13.00%		
\$154	\$176	\$26	\$16,536	\$31,968	
(154)	(176)	(26)	(16,536)	(31,968)	
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
\$1,398,500	\$1,598,257	\$1,694,257	\$1,651,809	\$1,598,392	
0.00%	0.00%	0.00%	1.00%	2.00%	

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2024	2023	2022	2021	2020
Net Pension Liability					
Contractually Required Contribution	\$474,508	\$427,035	\$358,524	\$341,695	\$337,157
Contributions in Relation to the Contractually Required Contribution	(474,508)	(427,035)	(358,524)	(341,695)	(337,157)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$2,244,171	\$2,021,295	\$1,703,888	\$1,621,668	\$1,591,576
Pension Contributions as a Percentage of Covered Payroll	21.14%	21.13%	21.04%	21.07%	21.18%
Net OPEB Liability					
Contractually Required Contribution	\$11,221	\$10,107	\$8,519	\$8,108	\$7,897
Contributions in Relation to the Contractually Required Contribution	(11,221)	(10,107)	(8,519)	(8,108)	(7,897)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	0.49%	0.45%	0.38%	0.36%	0.35%
Total Contributions as a Percentage of Covered Payroll	21.63%	21.58%	21.42%	21.43%	21.53%

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015
\$321,607	\$302,607	\$301,346	\$296,723	\$285,807
(321,607)	(302,607)	(301,346)	(296,723)	(285,807)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,512,881	\$1,420,506	\$1,413,663	\$1,396,114	\$1,342,602
<u>21.26%</u>	<u>21.30%</u>	<u>21.32%</u>	<u>21.25%</u>	<u>21.29%</u>
 \$7,565	 \$7,103	 \$7,068	 \$6,981	 \$6,714
<u>(7,565)</u>	<u>(7,103)</u>	<u>(7,068)</u>	<u>(6,981)</u>	<u>(6,714)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.33%</u>	<u>0.31%</u>	<u>0.32%</u>	<u>0.33%</u>	<u>0.33%</u>
<u>21.59%</u>	<u>21.61%</u>	<u>21.64%</u>	<u>21.58%</u>	<u>21.62%</u>

City of Kirtland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019 through 2021	2018 and 2017	2016 and prior
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple see below			
Post-January 7, 2013 Retirees	6.9 percent	7.2 percent	7.5 percent	8 percent
Investment Rate of Return	Individual	Individual	Individual	Individual
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, retirees are as follows:

2024	2.3 percent, simple through 2024 then 2.05 percent, simple
2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

Amounts reported for 2017 through 2021 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to

City of Kirtland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OPERS Pension – Combined Plan

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019 through 2021	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Since 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	See Below	See Below
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

City of Kirtland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

For 2017 and prior the investment rate of return was 8.25 percent. Beginning in 2018, the OP&F Board adopted a change in the investment rate of return, changing it from 8.25 percent for 2017 and prior to 8 percent. Beginning in 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and forward.

Beginning in 2023, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

Prior to 2023, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Prior to 2023, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

City of Kirtland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

Changes in Assumptions – OPERS OPEB

Wage Inflation:	
Beginning in 2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
Beginning in 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2024	3.77 percent
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2024	5.70 percent
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2024	5.50 percent, initial
2023	3.5 percent, ultimate in 2038
2022	5.5 percent, initial
2021	3.5 percent, ultimate in 2036
2020	5.5 percent, initial
2019	3.5 percent, ultimate in 2034
2018	8.5 percent, initial

City of Kirtland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:

2024	4.07 percent
2023	4.27 percent
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

In 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent beginning in 2022.

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Kirtland
Lake County
9301 Chillicothe Road
Kirtland, Ohio 44094

To the Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2025. We noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

City of Kirtland
Lake County
Independent Auditor's Report on Internal Control Over
Financial Reporting and On Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

August 20, 2025

City of Kirtland
Lake County
Schedule of Prior Audit Findings (Prepared by Management)
December 31, 2024

Finding Number	Finding Summary	Status	Additional Information
2023-001	Material Weakness - Financial Reporting	Corrected	

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF KIRTLAND

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 2/5/2026

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov